

Exhibit “D”

electrical stun devices.

The big theme this year was making video utterly ubiquitous. There were 100-inch-plus LCD screens from LG, Sharp and Samsung, and there were screens as small as poker chips, running broadcast television from cell phones (check out the LG VX940 using Verizon MediaFLO). In the TI booth you could see a prototype of a system that could let your cell phone project a six-foot video image. Cingular unveiled Video Share, which lets you accompany a mobile call with a live video stream. Those who recently bought big hi-def screens might want to know about Evo, a company devoted to gorgeous mounting of those Cyclopean beasts.

You could hardly pull the lever of a slot machine without elbowing someone who had a scheme to move the In-



SHARP 108-INCH TV:

This flat-screen AQUOS LCD is the world's biggest (for now). Invite the whole neighborhood. \$ Not announced

VOODOO ENVY

A laptop for the hardcore gamer. Superfast processor and graphics, plus a giant 20.1-inch screen. \$5,000

was showing PC2TV that lets you stream Internet content directly on your television.

A variation on that theme was the proliferation of "media centers" and massive storage

devices that let you store all your movies, photos and TV shows, and watch them around the house. Sony's weird-looking Vaio TP1—it resembles a toilet booster seat—has 300 gigs and all sorts of tuners and connectors. Microsoft, which plastered the convention center with banners touting its finally-about-to-arrive Vista operating system, has developed a Windows Home Server that promises to "simplify digital

life for families."

The CES ghost man was in on this game, too: back in San Francisco, Jobs announced details of Apple TV (which he had

earlier demo'd as iTV), a scheme to wirelessly get the video, photos and music from your computer into your TV set (as well as movie trailers from the Internet): it's \$299 and available in February. And not yet seen in Vegas.

With N'GAI CROAL

GADGETS

APPLE MAKES A COOL CALL

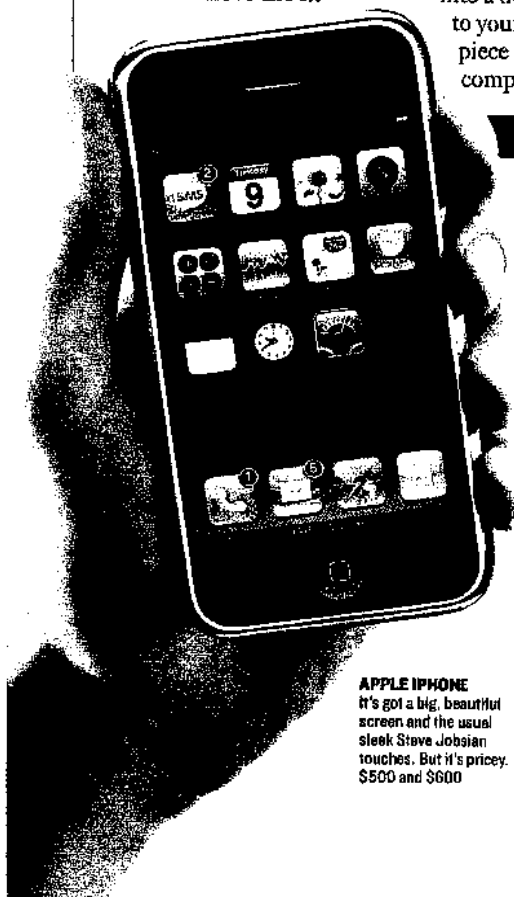
Steve Jobs, shiny object in hand, lays it out for me: "This is five years ahead of what everybody's got." Predicting the future is gamy, but a tour of the iPhone—it's called that pending a trademark dispute with Cisco—makes the claim seem credible. At its best, Apple transforms a product category plagued by awkward interfaces, inadequate utility and ungainly packaging and transforms the experience into something effective and fun. The iPhone—actually a combination of a smart phone, Internet communicator and iPod—is a case in point.

Here are the details: a 4.8-ounce palm-size slab dominated by a bright "multitouch" screen you control with your fingers. It runs on the Macintosh operating system, so it has sophisticated e-mail and Web browsing, along with stuff like Google Maps. It lets you handle

voice mail like e-mail, choosing which message you want to hear. It's got a revamped iPod interface that makes the most of the iTunes ability to let you watch movies and TV. And with the classic Apple design flair—the pyrotechnics of austerity—it's gorgeous. On the downside, it's got only five hours of battery life, and it's costly: \$499 for four gigabytes of flash memory, \$599 for 8GB, with a mandatory two-year AT&T wireless contract.

Using exotic finger tricks like double tapping, swiping and "pinching," Apple has simplified the knotty task of handling e-mail, personal organizing, the Web and wrangling a media library. Jobs is shooting for 1 percent of the billion-plus mobile phones expected to be sold in 2008. Already, plenty of people seem eager to have an iPhone (or whatever) when it ships this June.

—STEVEN LEVY



APPLE IPHONE

It's got a big, beautiful screen and the usual sleek Steve Jobsian touches. But it's pricey. \$500 and \$600

Apple Storms Cellphone Game

*Move Into Handsets
Sends Shares to High
But Hurdles Remain*

By LI YUAN
And PUI-WING TAM

The long-awaited announcement that Apple Computer Inc. would offer a media-playing cellphone—dubbed the iPhone—sent ripples through the telecom industry and pushed Apple's stock to a high, but it also raised questions about the company's strategy as it aims to parlay its hugely successful iPod music player as an entry in the cutthroat handset market.

The device, called iPhone and priced up to \$599 with a two-year cellular service contract, allows users to download and play iTunes music, browse the Web, send email and make calls. Equipped with a wide screen and a two megapixel camera it can also link wirelessly to printers, music headsets, Wi-Fi networks and stereo systems. (See related article on page D1.)

If successful, the phone, scheduled for release in June, could be a boost for AT&T Inc., the world's largest telecom operator, and its Cingular Wireless unit, which has a multiyear exclusive deal for the U.S. market to provide cellphone service with the device. Cingular worked with Apple for about a year to develop the phone as well as a slew of new services. The phone will be sold in Apple stores and at Cingular stores, as well as on each company's Web site. Cingular hopes the phone will attract high-end customers and give it an advantage over rival Verizon Communications Inc., which also is trying to reposition itself as a provider of multimedia services.

The iPhone is the latest example of how lines between the entertainment and telecom industries are increasingly blurring, with cable companies entering the phone business and phone companies entering television and with handset makers providing music services and vice versa.

Verizon Wireless recently began offering YouTube videos on cellphones, while print Nextel Corp. today produces its own TV shows for cellphone screens. Comcast Corp. and other cable companies, offering Internet calling services and have partnered with Sprint to offer wireless ser-

vices and television for cellphones.

Whether the phone will be a success like the iPod remains to be seen. One potential stumbling block: The price tag is high for the U.S. market, where up to 80% of handsets are sold for \$99 or less, according to handset analyst Hugues de la Vergne of research firm Gartner Inc. Analysts say Apple is unlikely to lower the phone's price because it doesn't want to cannibalize its iPod business.

It also isn't certain whether business users will take to the phone's email feature, with a touch-screen keyboard rather than a conventional email keyboard.

And while the iPhone appears unparalleled in its design, many equipment makers have pushed in the same direction: SonyEricsson's Walkman phone, which sold more than 15.5 million units by the end of September, also combines a camera, video and mu-

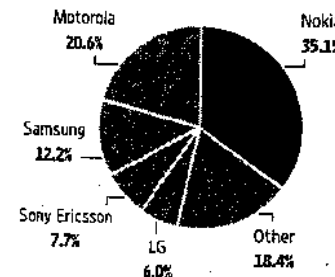
site, access to consumers in the cellphone market is largely controlled by wireless carriers. Apple's historical model of turning a profit mostly on sales of hardware would also be tough to replicate in the cellphone industry, where carriers typically lure customers by discounting handsets and earn most of their profit from selling the service.

Apple will also be dealing with intense competition in the cellphone market, where many sub-\$100 phones already offer music-playing capabilities. "Wireless is hard," says Mike Abramsky, an analyst at RBC Capital Markets. "Success in this industry has confounded other companies like Microsoft and even Motorola at times."

Apple will compete in an increasingly crowded field of high-end smartphones that include Motorola's Q, Research In Motion Ltd.'s BlackBerry Pearl and Palm Inc.'s Treo 750, all released in the past year.

Still, given the success that Apple, Cupertino, Calif., has had with other devices, the iPhone announcement sparked fears it would steal market share. Shares of RIM dropped 7.9%, while those of Palm dropped 5.7%. Shares of some larger telecom equipment makers dropped as well, though not drastically. After the news, Apple's stock rose \$7.10, or 8.3%, to \$92.57 in 4 p.m.

Share of mobile handsets sold, third-quarter 2006



Total handsets sold: 251.3 million

Source: Gartner Dataquest



Apple CEO Steve Jobs holds up the new iPhone during his keynote address yesterday at MacWorld Conference & Expo.

sic player and a phone, for example, and is available free with some cellphone service subscriptions. Motorola Inc. last week warned investors its 2007 revenue and profits would fall short of its own forecasts, even after the company sold more than 50 million units of its popular RAZR handset. The price of the RAZR fell from \$500 to being offered free with cellphone service contracts and was widely mimicked by rivals. Apple could face a similar price pressure over time, some analysts suggest.

To reflect its new role in the tech world, Apple changed its corporate name from Apple Computer Inc. to Apple Inc. But entering the cellphone market is a risky proposition that has left other large tech companies bloodied. Microsoft Corp., for instance, had a tough time breaking into the mobile-phone market with its cellphone software platform and still hasn't made significant inroads into the market.

Indeed, Apple is wading into a market with very different dynamics than the consumer-electronics market in which it plays. While Apple is used to connecting directly with customers through its stores or Web

composite Nasdaq Stock Market trading.

Apple is still grappling with an imbroglio over improper backdating of stock options. The company disclosed in June that it was investigating whether some of its executives' options had benefited from backdating, and later admitted some had. Last month, Apple wrapped up its internal probe, clearing its current management, including Chief Executive Steve Jobs, of any wrongdoing in the matter. But the U.S. attorney's office in San Francisco and the Securities and Exchange Commission are still looking into the matter, which means Apple isn't yet in the clear.

Of course, Apple has a trump card: A loyal following in the downloadable music world. Apple introduced its iPod player five years ago, and bolstered the device by creating an iTunes music store that consumers can go to download songs for 99 cents each. In recent years, Apple has added other downloadable content onto iTunes, including network TV shows such as "Desperate Housewives," movies, and music videos.

—Sara Silver and Nick Wingfield
contributed to this article.

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IRER READERS!

tensive hype, and I'm not easily impressed," he said. "But the vast majority of phones sold cost way less than \$500." Instead, the rivals most likely to face new competition from Apple's handset are makers of higher-end smart phones such as Palm Inc.

Tim Bajarin, principal analyst with Creative Strategies, said the iPhone could revolutionize the way cell phones are designed and sold.

"This goes beyond smart phones and should be given its own category called 'brilliant' phones," he said. "Cell phones are on track to become the largest platform for digital music playback, and Apple needed to make this move to help defend their iPod franchise as well as extend it beyond a dedicated music environment."

Apple commands about 75 percent of the market for downloaded music and portable music players. But it is expected to lose market share on both fronts as rivals introduce their own gadgets and music stores.

Jobs said Apple expected to sell 10 million iPhones in 2008, the first full year in which they will be available. That is about 1 percent of the global market for mobile phones; 957 million were sold worldwide in 2006.

The Apple phones will operate exclusively on AT&T Inc.'s Cingular Wireless network, and they will start shipping in June. A 4-gigabyte model will cost \$499, while an 8-gigabyte iPhone will be \$599. While wireless carriers typically offer discounts and rebates on new devices when customers agree to sign two-year service contracts, Cingular said it was unclear whether this would be the case with the iPhone.

Cingular declined to comment on its financial arrangement with Apple.

The iPhone is less than half an inch thick — thinner than almost any phone on the market today. It comes with a 2-megapixel digital camera built into the back, as well as a slot for headphones and a SIM card.

The phone automatically synchs the user's media — movies, music, photos — through iTunes on computers running Mac OS X or Microsoft Corp.'s Windows. The device also synchs e-mail, Web bookmarks, and nearly any type of digital content stored on a PC.

"It's just like an iPod," Jobs said. "Charge and synch."

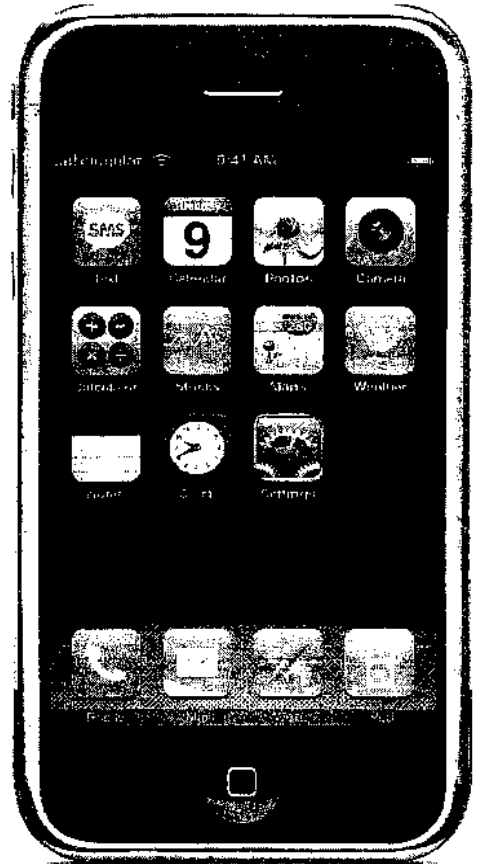
Apple is also introducing what it calls "visual voice mail," so users can jump to the most important messages rather than have to listen to all of them in order.

The phone supports Wi-Fi and Bluetooth wireless technology, and it can detect locations from Global Positioning System satellites. It also can send and display e-mail and text messages. Apple is partnering with Yahoo Inc. on Web-based e-mail and with Google Inc. on maps.

Jobs said Apple would begin taking orders immediately for the \$299 video box called Apple TV. It will ship next month.

The gadget is designed to link computers and television sets so users can more easily watch their downloaded movies on a big screen. Jobs displayed a prototype of the gadget in September, when Apple announced it would sell TV shows and movies through iTunes.

Apple shares jumped \$7.10 to close yesterday at \$92.57 on the Nasdaq Stock Market. The stock has traded in a 52-week range of \$50.16 to \$93.16. Meanwhile, shares of other smart-phone-makers slid: Treo-maker Palm dropped 5.7 percent, BlackBerry's Research In Motion Ltd. lost 7.9 percent, and Motorola Inc. shed 1.8 percent.



Two iPhone screens. The one above holds icons for 15 functions. The iPhone is controlled by touch. It plays music, surfs the internet, and runs the Macintosh computer operating system. One analyst said the iPhone could revolutionize the way cell phones are designed and sold.



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Apple's iPhone: Is It Worth It?



By NICK WINGFIELD
And LI YUAN

APPL COMPUTER Inc.'s feverishly anticipated iPhone combines the music and video features of an iPod with the communications functions of a smartphone. The question is how many consumers will be willing to pay the hefty price for the combo.

The iPhone has a sleek design and is only 11.6 millimeters thick. A 3.5-inch screen, bigger than on most iPods, extends for almost the entire length of the nearly button-free device. Instead of the iPod's iconic scroll wheel, users will navigate through their song collections, make phone calls and perform other tasks by tapping their fingers on the iPhone's touch-sensitive screen. Users of the iPhone will type emails on a virtual keyboard that pops up on screen as needed.

Apple, of Cupertino, Calif., has an exclusive agreement with AT&T Inc.'s Cingular, the nation's largest cellular carrier, to sell the iPhone in the U.S. for between \$500 and \$600—well above mass-market cellphones—with a commitment to a two-year wireless plan. Although it has been on a hot streak, Apple doesn't always hit it big when it enters new markets. The company collaborated with Motorola Corp. on a phone called ROKR that plays songs from users' iTunes music collections, but it was seen by many as a disappointment because of limited storage capacity.

It's unclear if and when the prices for the iPhone might tumble, as prices for electronics gear such as flat-screen TVs and video camcorders tend to do. While prices for the iPod have generally stayed in the same range over the years, consumers have been getting more features on new generations of iPods, essentially getting more for their money each time. With cellphones, the historical model has been for prices of such devices to come down quickly, with wireless carriers sometimes taking a loss on the products in order to get consumer subscription revenue.

With Cingular, Apple developed a feature they described as a major innovation that they're calling "visual voice mail." Instead of having to wade through voice mail messages in the order in which they were left, iPhone users will see a list with the names and phone numbers of people who left them voice messages and tap to listen the messages in whichever order they like.

There are also sophisticated sensors within the product that, for instance, adjust the brightness level of the screen to make it more legible based on ambient lighting conditions. Another sensor automatically shifts the screen-orientation.

Please turn to page D8

The You M

Phaseouts, Which Liu
Come Under Renewe

By TOM HERMAN

MILLIONS of people are paying taxes at higher rates than they probably realize because of tricky provisions that can reduce—or even eliminate—major tax breaks based on their income.

These so-called phaseouts (because some benefits begin to phase out when your income exceeds certain levels) and similar provisions should be repealed, or at least simplified, said Nina Olson, the Internal Revenue Service's National Taxpayer Advocate, in a report to Congress released yesterday. Ms. Olson heads an IRS unit designed to help taxpayers cut through bureaucratic red tape and deal with problems that couldn't be resolved through normal channels.

The report says more than 60 million individual income-tax returns, about 44% of those filed last year, are affected each year by more of these provisions, which can drive taxpayer's marginal tax rate well above his official tax rate.

It's doubtful that Congress will eliminate phaseouts. Repealing them would cost the Treasury Department billions of dollars.

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New Rules May Shrink Rank

HIV Risk Eases, but Concern
Over Other Threats Grows;
A Problem With Pregnancies

By LAURA LANDRO

FAST-EMERGING threats to the blood supply—including infectious diseases from abroad and newly recognized risks of transfusion—are raising safety concerns and threatening to shrink the supply of eligible blood donors.

The chances of getting HIV or hepatitis C from donated blood have been all but eliminated thanks to sophisticated screening. But regulators and blood banks are adding new protections in an effort to quell the latest threats.

Among the most sweeping are changes that could affect 10% to 20% of female donors—as many as a million women who donate certain



blood components. Scientists have only recently come to understand that certain antibodies in the blood of women who have ever been pregnant can cause a reaction known as transfusion-related acute lung injury, or TRALI. While

THE WALL STREET JOURNAL
January 10, 2007

W.S.J. 1/10/07

Monday	Tuesday	Wednesday	Thursday	Friday
9:30 am	10:00 pm	10:30		
Personal Calendar				
<p>1. How Your New iPhone Will Change Your Life</p> <p>2. The iPhone's New Features</p> <p>3. The iPhone's New Features</p> <p>4. The iPhone's New Features</p> <p>5. The iPhone's New Features</p> <p>6. The iPhone's New Features</p> <p>7. The iPhone's New Features</p> <p>8. The iPhone's New Features</p> <p>9. The iPhone's New Features</p> <p>10. The iPhone's New Features</p>				

ood Donors

of donated blood, bringing the total cost to about \$54 this year. The total cost of testing the blood supply for seven known high-risk infectious agents each year in the U.S. is approximately \$600 million, with about 60% coming from tests that weren't in place a decade ago—including tests for HIV and West Nile Virus, according to James AuBuchon, chairman of the pathology department at Dartmouth Hitchcock Medical Center in Lebanon, N.H. "The increase in costs is relatively minor to keep the blood supply safe," Dr. AuBuchon says.

The FDA says it must err on the safe side, even if it reduces the supply of donors. "For every deferral we put into place, we do a very careful consideration of how it will impact the donor pool," says Alan Williams, head of the division of blood applications at FDA's biologics center.

The FDA is under growing pressure to ease the policy that effectively bans blood donations from men who have had sex with other men even once since 1977. Last March, AABB, the American Red Cross and America's Blood Centers told the FDA that because of new tests that can quickly detect HIV, the policy is "medically and scientifically unwarranted" and recommended that it be changed to allow men who have abstained from sex with another man for a period of one year.

But the FDA says data show that men who have sex with men account for 25% of donors found positive for HIV, even though only a fraction of those admit to homosexual contact. The FDA says the policy is based on "the well-documented association of his behavior with risk of transmission transmissible infection."

that has been commonplace in businesses for years: the server.

H-P's new MediaSmart Server acts as a repository for photos, music, movies and other digital content. It was built around new software from Microsoft Corp., called Windows Home Server, which helps automatically manage tasks such as making backup copies of files on all the laptop and desktop machines connected to a home network.

■ **Bang & Olufsen BeoVI-**

data and map services, and a rechargeable Li-ion battery.

■ **Panasonic Globarange BB-GT1500B.** Price: \$99.95. Availability: summer 2007 or later. What it is: A dual-line phone that can make free Internet calls as well as landline calls.

Making phone calls over the Internet via services like eBay Inc.'s Skype Ltd. and Vonage Holdings Corp. has become popular, but one requires users to connect via a PC while the other requires a monthly subscription.

Nicholas Woodman, has already produced still cameras. The new Digital Hero 3 adds video, and is housed in a case that straps to a user's wrist over their ski gloves, or on their bike handlebars.

—**Sarmad Ali, Christopher Lawton, Sarah McBride and Yukari Iwatani Kane contributed to this article.**

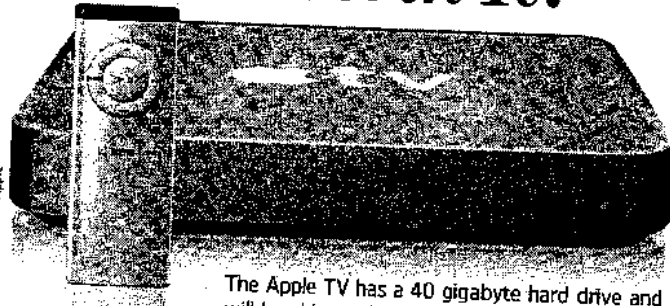
Online Today: Our blog tracks the latest dispatches from the Consumer Electronics Show in Las Vegas, at WSJ.com/OnlineToday.

Is Apple's iPhone Worth It?

Continued from page D1

tion of the iPhone to landscape from portrait mode when a user holds the device between two hands, which will allow users to view movies and television shows in wide-screen mode.

Initially, users will load music, video and other content onto the iPhone from their PCs, not wirelessly over the Cingular network. Executives in the music industry say Apple will need to negotiate new licensing agreements with music labels to obtain rights to sell songs wirelessly on the iPhone.



The Apple TV has a 40 gigabyte hard drive and will be able to play video and photos from PCs.

In a nod to how drastically products like the iPod, iPhone and a new television set-top box coming out in February called Apple TV are reshaping the company, Apple yesterday said it will change its corporate name to Apple Inc. after more than 30 years as Apple Computer Inc. In a speech at the start of the Macworld conference in San Francisco, Apple Chief Executive Steve Jobs said the iPhone was the result of more than 2½ years of development work at Apple and positioned its importance on par with the two other biggest innovations in Apple's history, the Macintosh computer and iPod.

Mr. Jobs also said the company had partnered with Yahoo Inc. and Google Inc. to bring popular Internet features like Yahoo Mail and Google Maps to the product. He said the iPhone is powered by Apple's Mac OS X operating system, which runs the company's line of PCs.

All of the product's features come at a steep cost for consumers, though, leading some analysts to question how big Apple's opportunity is to tap the mass market, as it has with the iPod. Mr. Jobs said Apple was aiming to sell about 10 million iPhones through the end of 2008, which would account for about 1% of annual global ship-

ments of cellphones.

But at \$500 to \$600, prices for versions of the iPhone with four gigabytes and eight gigabytes of storage capacity, respectively, Apple will be going after a fraction of the market. Toni Sacconaghi, an analyst at Sanford C. Bernstein, said cellphones priced above \$300 account for only about 5% of the global market. For its part, Cingular said it expects to attract high-end customers who are willing to pay for the price of the device and pay for the data services the phone could offer, prices for which the companies didn't disclose. Cingular wouldn't say whether it was subsidizing the cost of the iPhone, as carriers typically do for most handsets. On average, North American carriers subsidize \$70 to \$90 per phone, according to research firm Gartner Inc.

Cingular CEO Stan Sigman said he was so convinced that Apple would come up with a breakthrough phone that Cingular signed a deal with Apple in New York two years ago without even seeing a product. The deal is a multiyear agreement, in which Cingular will handle customer support, billing and other chores. Through the deal, Apple is not becoming a mobile virtual network operator—in effect, a reseller of airtime on another carrier's network. Entering the reselling business would have required Apple to compete

with major wireless carriers. ESPN, a unit of Walt Disney Co., folded its wireless service business after it failed to lure customers from other carriers.

Apple also said its new Apple TV product, formerly called iTV, will go on sale in February for \$299. The Apple TV, originally announced in September, will feature a 40 gigabyte hard drive and will be able to play video and photos from PCs throughout the home.

Mr. Jobs said Viacom Inc.'s Paramount Pictures will join Disney in selling movies downloads that can be played on the Apple TV through the iTunes Store, providing more than 100 movies from its back catalog for download on iTunes.

To allay concerns of DVD retailers about competition from iTunes, Paramount is not including its new releases. Paramount studio head Brad Grey noted that the bulk of iTunes movie downloads so far have been from its archive. Paramount's library includes movies such as "Breakfast at Tiffany's" as well as concert titles from artists like Bob Dylan and U2.

—**Merissa Marr and Ethan Smith contributed to this article.**

Question of the Day: Will the iPhone be a hit like the iPod or a flop like the Newton? Vote at WSJ.com/Question. Plus, watch highlights of Steve Jobs's presentation, at WSJ.com/Video.

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1991 Gulf War had 725,000 active-duty soldiers, has been reduced to 508,000. Yet its obligations remain enormous. The Army not only has 94,000 troops in Iraq, but it also has 17,000 in Afghanistan and 123,000 in 68 other nations around the globe.

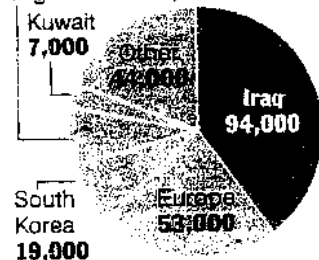
Gen. Peter J. Schoomaker, the Army chief of staff, told a congressionally appointed panel last month that the force would "break" unless something was done.

See **SURGE** on A10

Deployments Around The Globe

Includes part-time Guard and Reserve troops

Afghanistan **17,000**



SOURCE: U.S. Army

ALAN BASEDEN / Inquirer Staff Artist

in Sunni area of Baghdad

By Sudarsan Raghavan
and Joshua Partlow

WASHINGTON POST

BAGHDAD — With F-15 fighter jets and Apache helicopter gunships providing cover, U.S. and Iraqi troops yesterday battled hundreds of Sunni Arab insurgents firing from apartment buildings and houses in downtown Baghdad in one of the fiercest clashes in the capital in recent memory.

"It was the most intense combat I have ever seen," said

Maj. Jesse Pearson, an Army operations officer on his third tour in Iraq. "We were in a fight for 11 straight hours."

Along Haifa Street, a desolate, mostly Sunni Arab enclave of residential buildings and shops, more than 1,000 U.S. and Iraqi troops descended in early morning to retake the insurgent stronghold. The larger goal was to reassert the authority of the U.S.-backed Iraqi government, weakened

See **IRAQ** on A11

uel dealers' earnings melting in mild winter

By Jeff Gelles

INQUIRER STAFF WRITER

Mild weather may sit well with drivers and anyone else who relies on a springlike day in January. But to those in the energy trade, winter already looks like a no-motion train wreck.

And that's especially true for fuel dealers in Philadelphia and elsewhere in the Northeast.

Demand for heating fuels is down sharply from last year. PECO Energy sold 18 percent less natural gas in December than it did a year earlier. Philadelphia Gas

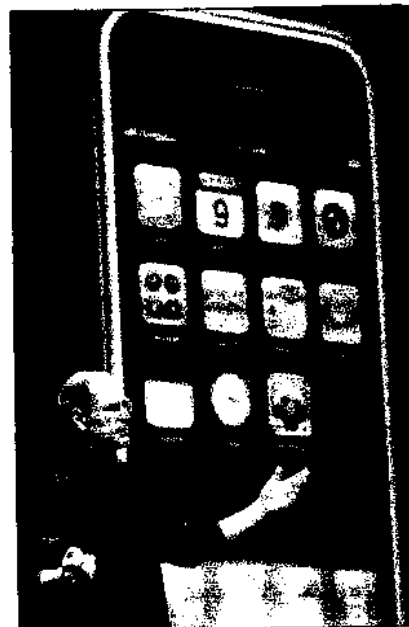
Works says its December sales dove 26 percent. Area fuel-oil dealers say deliveries are down 20 percent to 25 percent.

With weather also mild in the Midwest and Europe, lower demand has depressed prices, too. Since Dec. 1, spot prices for natural gas have dropped nearly 30 percent, the federal Energy Informa-

See **WARM** on A4

■ 2006 brought record warmth to the continental United States. **A4.**

■ **Andrew Cassel:** OPEC sheikhs and others feel the heat. **C1.**



With iPhone, Apple aims for big bite

The iPhone, which will start at \$499 when it launches in June, represents Apple's leap into the mobile-phone business. CEO Steve Jobs demonstrated the new product at the Macworld Conference & Expo. **Business, C1.**

PAUL SAKUMA/
Associated Press



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THE PHILADELPHIA INQUIRER
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WEDNESDAY, JANUARY 10, 2007

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The Philadelphia Inquirer

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Lost Active Local Stock
forecast \$52.74 Up 27 cents, 0.64%

Dow Jones Industrials
12,416.60 Down 6.99, 0.06%

Nasdaq Composite
2,443.83 Up 5.63, 0.23%

Standard & Poor's 500
1,412.11 Down 0.73, 0.05%

10-Year Treasury Note
4.66 yield No change

0.7693 Euro (\$
119.36 Yen (\$

Now it's Apple Inc., complete with iPhone

CEO Steve Jobs said the new mobile device would go on sale in June. He also showed a box that links TVs to computers.

By Rachel Konrad
ASSOCIATED PRESS

SAN FRANCISCO — Apple Computer Inc. CEO Steve Jobs yesterday announced the iPod-maker's long-awaited leap into the mobile-home business and renamed the company "Apple Inc.," reflecting its increased focus on consumer electronics.

The iPhone, which will start at \$199 when it launches in June, is controlled by touch, plays music, surfs the Internet, and runs the Macintosh computer operating system.

"Every once in a while, a revolutionary product comes along that changes everything," Jobs said at the Macworld Conference & Expo. "It's very fortunate if you can work on just one of these in your career. ... Apple's been very fortunate in that it's introduced a few of these."

He said the company's name change was meant to reflect Apple's transformation from a computer manufacturer to a full-fledged consumer-electronics company. During his speech, Jobs also unveiled a TV set-top box that allows

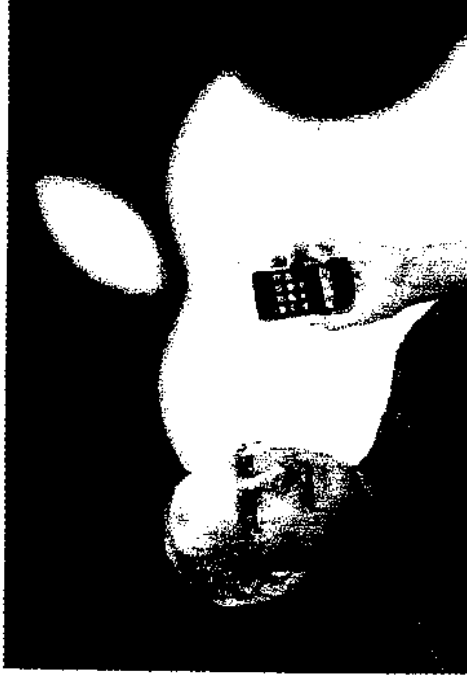
people to receive video from their computers, and he announced that the number of songs sold on Apple's iTunes Music Store had topped two billion.

Apple shares jumped more than 8 percent on the announcements, while the stock of rival makers of smart phones plunged.

While Jobs noted the explosive growth of the cell-phone market, it is not clear that a device as alluring as the iPhone poses a threat to mainstream handset-makers because of the price, said Avi Greengart, mobile-device analyst for the research firm Current Analysis Inc.

"My initial reaction is that this product actually lives up to the ex-

See **APPLE** on C6



PAUL SAKUMA / Associated Press

10-15%

People who redeem their cards during the week after Christmas.

\$80 billion

Dollar amount of gift cards sold.

8-10%

Slice of gift cards that are never redeemed.

\$335.5 billion

Amount forecast to be spent on items typically found in department stores.

It's still the season ...

Franklin Mills owl warns of bankruptcy

By Stephen Manning
ASSOCIATED PRESS